

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

DIGITAL REG OF TEXAS, LLC,

No. C 12-1971 CW

Plaintiff,

DRAFT FINAL JURY  
INSTRUCTIONS

v.

ADOBE SYSTEMS INCORPORATED,

Defendant.

**DUTY OF JURY**

Members of the Jury: Now that you have heard all of the evidence, it is my duty to instruct you as to the law of the case.

A copy of these instructions will be sent with you to the jury room when you deliberate. These final instructions control and you should not concern yourselves with any differences between them and the preliminary instructions. You must not infer from these instructions or from anything I may say or do that I have an opinion regarding the evidence or what your verdict should be.

It is your duty to find the facts from all the evidence in the case. To those facts you will apply the law as I give it to you. You must follow the law as I give it to you whether you agree with it or not. And you must not be influenced by any personal likes or dislikes, opinions, prejudices, or sympathy. That means that you must decide the case solely on the evidence before you. You will recall that you took an oath to do so.

In following my instructions, you must follow all of them and not single out some and ignore others; they are all important.

**WHAT IS EVIDENCE**

The evidence you are to consider in deciding what the facts are consists of:

- the sworn testimony of any witness;
- the exhibits which are received into evidence; and
- any facts to which the parties have agreed.

**WHAT IS NOT EVIDENCE**

In reaching your verdict, you may consider only the testimony and exhibits received into evidence and any facts to which the parties have agreed. Certain things are not evidence, and you may not consider them in deciding what the facts are. I will list them for you:

- 1) Arguments and statements by lawyers are not evidence. The lawyers are not witnesses. What they said in their opening statements, in their closing arguments, and at other times is intended to help you interpret the evidence, but it is not evidence. If the facts as you remember them differ from the way the lawyers have stated them, your memory of them controls.
- 2) Questions and objections by lawyers are not evidence. Attorneys have a duty to their clients to object when they believe a question is improper under the rules of evidence. You should not be influenced by the objection or by the court's ruling on it.
- 3) Testimony that has been excluded or stricken, or that you have been instructed to disregard, is not evidence and must not be considered.
- 4) Anything you may have seen or heard when the court was not in session is not evidence. You are to decide the case solely on the evidence received at the trial.

**DIRECT AND CIRCUMSTANTIAL EVIDENCE**

Evidence may be direct or circumstantial. Direct evidence is direct proof of a fact, such as testimony by a witness about what that witness personally saw or heard or did. Circumstantial evidence is proof of one or more facts from which you could find another fact. You should consider both kinds of evidence. The law makes no distinction between the weight to be given to either direct or circumstantial evidence. It is for you to decide how much weight to give to any evidence.

Before you decide that a fact has been proved by circumstantial evidence, you must consider all the evidence in the light of reason, experience, and common sense.

**RULING ON OBJECTIONS**

There are rules of evidence that control what can be received into evidence. When a lawyer asked a question or offered an exhibit into evidence and a lawyer on the other side thought that it was not permitted by the rules of evidence, that lawyer may have objected. If I overruled the objection, the question was answered or the exhibit received. If I sustained the objection, the question was not answered, and the exhibit was not received. Whenever I sustained an objection to a question, you must ignore the question and must not guess what the answer might have been.

**CREDIBILITY OF WITNESSES**

In deciding the facts in this case, you may have to decide which testimony to believe and which testimony not to believe. You may believe everything a witness says, or part of it, or none of it. Proof of a fact, or the weight of the evidence as to a fact, does not necessarily depend on the number of witnesses who

1 testify about it.

2 In considering the testimony of any witness, you may take  
3 into account:

4 the opportunity and ability of the witness to see or hear or  
5 know the things testified to;

6 the witness's memory;

7 the witness's manner while testifying;

8 the witness's interest in the outcome of the case and any  
9 bias or prejudice;

10 whether other evidence contradicted the witness's testimony;

11 whether the witness gave different testimony on a prior  
12 occasion;

13 the reasonableness of the witness's testimony in light of all  
14 the evidence; and

15 any other factors that bear on believability.

16 **IMPEACHMENT EVIDENCE**

17 The evidence that a witness lied under oath or gave different  
18 testimony on a prior occasion may be considered, along with all  
19 other evidence, in deciding whether or not to believe the witness  
20 and how much weight to give the testimony of the witness and for  
21 no other purpose.

22 **EXPERT OPINION**

23 Some witnesses, because of education or experience, are  
24 permitted to state opinions and the reasons for those opinions.

25 Opinion testimony should be judged just like any other  
26 testimony. You may accept it or reject it, and give it as much  
27 weight as you think it deserves, considering the witness's  
28 education and experience, the reasons given for the opinion, and  
all the other evidence in the case.

**DEPOSITION IN LIEU OF LIVE TESTIMONY**

A deposition is the sworn testimony of a witness taken before trial. The witness is placed under oath to tell the truth and lawyers for each party may ask questions. The questions and answers are recorded.

You should consider deposition testimony, presented to you in court in lieu of live testimony, insofar as possible, in the same way as the witness had been present to testify.

**CONDUCT OF THE JURY**

Because you must base your verdict only on the evidence received in the case and on these instructions, I remind you that you must not be exposed to any other information about the case or to the issues it involves. Except for discussing the case with your fellow jurors during your deliberations:

Do not communicate with anyone in any way and do not let anyone else communicate with you in any way about the merits of the case or anything to do with it. This includes discussing the case in person, in writing, by phone or electronic means, via email, text messaging, or any Internet chat room, blog, website or other feature. You may not communicate about the trial with your family members or your employer, although you may inform them that you have been seated as a juror in the case. You may not communicate with the people involved in the trial. If you are asked or approached in any way about your jury service or anything about this case, you must respond that you have been ordered not to discuss the matter and to report the contact to the court. You may communicate with your fellow jurors provided that all jurors are present for the discussion and the discussion occurs in the

1 jury room with the door closed.

2 Do not read, watch, or listen to any news or media accounts  
3 or commentary about the case or anything to do with it; do not do  
4 any research, such as consulting dictionaries, searching the  
5 Internet or using other reference materials; and do not make any  
6 investigation or in any other way try to learn about the case on  
7 your own.

8 The law requires these restrictions to ensure the parties  
9 have a fair trial based on the same evidence that each party has  
10 had an opportunity to address. A juror who violates these  
11 restrictions jeopardizes the fairness of these proceedings, and a  
12 mistrial could result that would require the entire trial process  
13 to start over. If any juror is exposed to any outside  
14 information, please notify the court immediately.

15 **SUMMARY OF CONTENTIONS**

16 I will first give you a summary of each side's contentions in  
17 this case. I will then tell you what each side must prove to win  
18 on each of its contentions. As I previously told you, Digital Reg  
19 seeks money damages from Adobe for allegedly infringing the '541  
20 patent and '670 patent by making, using, selling, and offering for  
21 sale products that Digital Reg argues are covered by its patents.  
22 The asserted claims are claims 1, 2, 4, and 13 of the '541 patent,  
23 and claims 45 and 52 of the '670 patent. The accused products are  
24 the Adobe Flash Platform, LiveCycle, and Software Activation  
25 Services. Digital Reg argues that Adobe infringed its patents and  
26 induced and contributed to infringement by users of these  
27 products. Digital Reg also contends that Adobe's infringement of  
28 the '541 and '670 patents was willful.

1 Adobe denies that it has infringed any of the asserted claims  
2 of the '541 and '670 patents. Adobe argues that the asserted  
3 claims, along with claim 32 of the '670 patent, are invalid.

4 Your job is to decide whether the asserted claims of the '541  
5 and '670 patents are valid and have been infringed by Adobe's  
6 accused products.

7 If you decide that any claim of the asserted patents is not  
8 invalid and has been infringed, then you will need to decide the  
9 money damages to be awarded to Digital Reg to compensate it for  
10 the infringement. You will also need to decide whether the  
11 infringement was willful. If you decide that any infringement was  
12 willful, that decision should not affect any damages award you  
13 give. I will take willfulness into account later.

#### 14 **INTERPRETATION OF CLAIMS**

15 As I mentioned earlier, the patent claims are numbered  
16 sentences at the end of the patent that describe the boundaries of  
17 the patent's protection. It is my job as judge to explain to you  
18 the meaning of any language in the claims that needs  
19 interpretation.

20 I have already determined the meaning of certain terms of the  
21 claims of the '541 and '670 patents. Attached to these  
22 instructions is a document reflecting those meanings. You must  
23 accept those interpretations as correct. However, my  
24 interpretation of the language of the claims should not be taken  
25 as an indication that I have a view regarding issues such as  
26 infringement and invalidity. The decisions regarding infringement  
27 and invalidity are yours to make.  
28

**INFRINGEMENT - BURDEN OF PROOF**

To prove infringement of any claim, Digital Reg must persuade you that it is more likely than not that Adobe has infringed that claim.

**INFRINGEMENT - CLAIM REQUIREMENTS**

A patent's claims define what is covered by the patent. You must decide whether Adobe has used within the United States a method covered by a claim of Digital Reg's patents. If Adobe has done so, it infringes.

You must consider each of the asserted claims of the patent individually, and decide whether Adobe practices every requirement of that claim. Claim 1 of the '541 patent, and claims 32 and 45 of the '670 patent, are known as independent claims. Independent claims contain a number of requirements that must be satisfied to show infringement. Claims 2, 4, and 13 of the '541 patent, and claim 52 of the '670 patent, are known as dependent claims. A dependent claim includes all of the requirements of the independent claim to which it refers, plus additional requirements of its own. For example, claim 2 of the '541 patent incorporates every requirement contained in "the method of claim 1," but also contains additional requirements that must be satisfied to find infringement of claim 2. As a result, if you find that an independent claim is not infringed, you must also find that its dependent claims are not infringed as well. On the other hand, if you find that an independent claim has been infringed, you must still separately decide whether the additional requirements of its dependent claims have also been infringed.

Absent language specifying an order in which the steps must



1 be performed, the steps need not be performed in sequential order  
2 to find infringement. The fact that Adobe's actions also include  
3 other steps will not avoid infringement, as long as Adobe performs  
4 every requirement in the patent claim.

5 Whether or not Adobe knew its products infringed or even knew  
6 of the patent does not matter in determining direct infringement.  
7 In this case, Digital Reg argues that Adobe infringed its patents  
8 both directly and indirectly.

9 **DIRECT INFRINGEMENT**

10 To decide whether Adobe literally infringes a claim of  
11 Digital Reg's patents, you must compare actions by Adobe with the  
12 patent claim and determine whether every requirement of the claim  
13 was carried out by Adobe. If so, Adobe directly infringes that  
14 claim.

15 Even if Adobe does not itself carry out every requirement in  
16 the patent claim, Adobe cannot escape liability for direct  
17 infringement if it directed or controlled other parties to carry  
18 out the missing requirements. Adobe does not direct or control  
19 another parties' actions merely because Adobe entered into a  
20 business relationship with that person. Instead, Adobe must  
21 specifically instruct or cause that other person to perform each  
22 step in an infringing manner, so that every step is attributable  
23 to Adobe as the controlling party.

**INDIRECT INFRINGEMENT**

Digital Reg also alleges that Adobe indirectly infringed and continues to indirectly infringe Digital Reg's patents. There are two types of indirect infringement: inducing infringement and contributory infringement. The act of encouraging or inducing others to infringe a patent is called "inducing infringement." The act of contributing to the infringement of others by, for example, supplying them with components for use in the patented invention, is called "contributory infringement."

**INDUCING INFRINGEMENT**

In order for Adobe to induce infringement, one or more individuals or companies, acting alone or collectively, must directly infringe the asserted patent; if there is no direct infringement by anyone, there can be no induced infringement. In order to be liable for inducement of infringement, Adobe must have:

- (1) intentionally taken action that actually induced direct infringement by each individual or company;
- (2) been aware of the asserted patent;
- (3) known that the acts it was causing would be infringing;
- (4) not had a good faith belief that the patent was invalid.

If Adobe did not know of the existence of the patent in question or that the acts it was inducing were infringing, it can be liable for inducement only if it actually believed that it was highly probable its actions would encourage infringement of a patent and it took intentional acts to avoid learning the truth. It is not enough that Adobe was merely indifferent to the possibility that it might encourage infringement of a patent. Nor

1 is it enough that Adobe took a risk that was substantial and  
2 unjustified.

3 If you find that Adobe was aware of an asserted patent, but  
4 believed that the acts it encouraged did not infringe that patent,  
5 or that the patent was invalid, then Adobe cannot be liable for  
6 inducing infringement.

#### 7 CONTRIBUTORY INFRINGEMENT

8 Digital Reg also argues that Adobe indirectly infringed by  
9 contributing to infringement by another. Contributory  
10 infringement may arise when someone supplies something that is  
11 used to infringe one or more of the patent claims.

12 In order for Adobe to be liable for contributory  
13 infringement, someone other than Adobe must directly infringe a  
14 claim of Digital Reg's patents; if there is no direct infringement  
15 by anyone, there can be no contributory infringement.

16 If you find someone has directly infringed Digital Reg's  
17 patents, then contributory infringement exists if:

18 (1) Adobe supplied an important component of the infringing  
19 part of the method;

20 (2) The component is not a common component suitable for non-  
21 infringing use; and **[if disputed]**

22 (3) Adobe supplied the component with the knowledge of the  
23 patent and knowledge that the component was especially made or  
24 adapted for use in an infringing manner;

25 **[If disputed]** A "common component suitable for non-infringing  
26 use" is a component that has uses other than in the patented  
27 method, and those other uses are not occasional, farfetched,  
28 impractical, experimental, or hypothetical. In cases where the

1 alleged method is embodied in a larger product, you must examine  
2 whether the particular components that allegedly practice the  
3 patented method have substantial non-infringing uses, and not  
4 whether the entire product as a whole has a substantial non-  
5 infringing use.

#### 6 **WILLFUL INFRINGEMENT**

7 In this case, Digital Reg argues that Adobe willfully  
8 infringed its patents.

9 To prove willful infringement, Digital Reg must first  
10 persuade you that Adobe infringed a claim of its patent.

11 In addition, to prove willful infringement, Digital Reg must  
12 persuade you that it is highly probable that Adobe acted with  
13 reckless disregard of the patent it infringed. The state of mind  
14 of Adobe is relevant to this inquiry. To demonstrate such  
15 "reckless disregard," Digital Reg must persuade you that Adobe  
16 actually knew, or it was so obvious that Adobe should have known,  
17 that its actions constituted infringement of a valid patent.

18 In deciding whether Adobe acted with reckless disregard for  
19 any patent that you find is infringed, you should consider all of  
20 the facts surrounding the alleged infringement including, but not  
21 limited to, the following factors:

22 (1) Whether Adobe acted in a manner consistent with the  
23 standards of commerce for its industry.

24 (2) Whether Adobe intentionally copied Digital Reg's patent.

25 (3) Whether Adobe had a reasonable basis to believe that it  
26 did not infringe or had a reasonable defense to infringement.  
27  
28

**INVALIDITY - BURDEN OF PROOF**

I will now instruct you on the rules you must follow in deciding whether Adobe has proven that claims 1, 2, 4, and 13 of the '541 patent and claims 32, 45 and 52 of the '670 patent are invalid. To prove invalidity of any patent claim, Adobe must persuade you by clear and convincing evidence that the claim is invalid.

During this case, the Adobe has submitted prior art, some of which was and some of which was not considered by the United States Patent and Trademark Office (PTO) during the prosecution of the '541 and '670 patents. Adobe contends that this prior art invalidates the claims of the '541 and '670 patents. In deciding the issue of invalidity, you may take into account whether the prior art was considered by the PTO when it issued the '541 and '670 patents. Prior art that differs from the prior art considered by the PTO may carry more weight than the prior art that was considered and may make Adobe's burden of showing that it is highly probable that a patent claim is invalid easier to sustain.

**WRITTEN DESCRIPTION**

A patent claim is invalid if Adobe demonstrates with high probability that the patent does not contain an adequate written description of the claimed invention. The purpose of this written description requirement is to demonstrate that the inventor was in possession of the invention at the time the application for the patent was filed. The written description requirement is satisfied if a person of ordinary skill in the field reading the original patent application at the time it was filed would have

1 recognized that the patent application described the invention as  
2 claimed, even though the description may not use the exact words  
3 found in the claim. A requirement in a claim need not be  
4 specifically disclosed in the patent application as originally  
5 filed if a person of ordinary skill would understand that the  
6 missing requirement is necessarily implied in the patent  
7 application as originally filed.

8       Whether the specification in the '541 patent satisfies the  
9 written description requirement is evaluated from the perspective  
10 of one of ordinary skill in the art as of the filing date of  
11 Digital Reg's May 15, 1998 application. Whether the specification  
12 in the '670 patent satisfies the written description requirement  
13 is evaluated from the perspective of one of ordinary skill in the  
14 art as of the filing date of Digital Reg's November 24, 1998  
15 application.

#### 16                                   **ANTICIPATION**

17       A patent claim is invalid if Adobe demonstrates that the  
18 claimed invention is not new. The claimed invention is not new if  
19 the patent's requirements existed in a single device or method  
20 that predates the claimed invention, or if all of its requirements  
21 were described in a single previous publication or patent that  
22 predates the claimed invention. In patent law, these previous  
23 devices, methods, publications or patents are called "prior art  
24 references." If a patent claim is not new we say it is  
25 "anticipated" by a prior art reference.

26       The description in the written reference does not have to be  
27 in the same words as the claim, but all of the requirements of the  
28 claim must be there, either stated or necessarily implied, so that

1 someone of ordinary skill in the field looking at that one  
2 reference would be able to make and use the claimed invention.

3 Here is a list of ways that Adobe can show that a patent  
4 claim was not new:

- 5 - the claimed invention was already publicly known or  
6 publicly used by others in the United States before the  
7 date of conception;
- 8 - the claimed invention was already patented or described in  
9 a printed publication anywhere in the world before the  
10 date of conception. A reference is a "printed  
11 publication" if it is accessible to those interested in  
12 the field, even if it is difficult to find;
- 13 - the claimed invention was already described in another  
14 United States patent application, or published patent that  
15 was based on a patent application filed before the date of  
16 conception; or
- 17 - the claimed invention was already made by someone else in  
18 the United States before the date of conception, [if that  
19 other person had not abandoned the invention or kept it  
20 secret].

21 You must determine a date of conception for the claimed  
22 invention. Conception is the mental part of an inventive act and  
23 is proven when the invention is shown in its complete form by  
24 drawings, disclosure to another, or other forms of evidence  
25 presented at trial.

#### 26 OBVIOUSNESS

27 Not all innovations are patentable. A patent claim is  
28 invalid if it is shown by clear and convincing evidence that the

1 claimed invention would have been obvious to a person of ordinary  
2 skill in the field at the time of invention. This means that even  
3 if all of the requirements of the claim cannot be found in a  
4 single prior art reference, a person of ordinary skill in the  
5 field who knew about all this prior art would have come up with  
6 the claimed invention.

7 The ultimate conclusion of whether a claim is obvious should  
8 be based upon your determination of several factual decisions.  
9 First, you must decide the level of ordinary skill in the field  
10 that someone working in the field would have had at the time the  
11 claimed invention was made. In deciding the level of ordinary  
12 skill, you should consider all the evidence introduced at trial,  
13 including:

14 (1) the levels of education and experience of persons working  
15 in the field;

16 (2) the types of problems encountered in the field; and

17 (3) the sophistication of the technology.

18 Digital Reg contends that the level of ordinary skill in the  
19 field would require a person to have a Bachelor of Science degree  
20 in Electrical or Computer Engineering or Computer Science or  
21 equivalent work experience. Adobe contends that the level of  
22 ordinary skill in the field would require a person to have a  
23 Bachelor of Science degree in Electrical or Computer Engineering  
24 or Computer Science and two to four years of work or research  
25 experience in the field.

26 Second, you must decide the scope and content of the prior  
27 art. The parties disagree as to whether certain prior art  
28 references should be included in the prior art you use to decide



1 the validity of challenged patent claims. In order to be  
2 considered as prior art to a particular patent, these references  
3 must be reasonably related to the claimed invention of that  
4 patent. A reference is reasonably related if it is in the same  
5 field as the claimed invention or is from another field to which a  
6 person of ordinary skill in the field would look to solve a known  
7 problem.

8 Third, you must decide what differences, if any, existed  
9 between the claimed invention and the prior art.

10 Finally, you should consider any of the following factors  
11 that you find have been shown by the evidence:

12 (1) commercial success of a product due to the merits of the  
13 claimed invention; **[if applicable]**

14 (2) a long felt need for the solution provided by the claimed  
15 invention;

16 (3) unsuccessful attempts by others to find the solution  
17 provided by the claimed invention;

18 (4) copying of the claimed invention by others;

19 (5) unexpected and superior results from the claimed  
20 invention;

21 (6) acceptance by others of the claimed invention as shown by  
22 praise from others in the field or from the licensing of the  
23 claimed invention; and

24 (7) any other evidence tending to show nonobviousness;

25 The presence of any of these factors may be considered by you  
26 as an indication that the claimed invention would not have been  
27 obvious at the time the claimed invention was made. On the other  
28 hand, independent invention of the claimed invention by others

1 before or at about the same time as the named inventor thought of  
2 it may be considered as an indication that the claimed invention  
3 would have been obvious at such time. Although you should  
4 consider any evidence of these factors, the relevance and  
5 importance of any of them is up to you.

6 **OBVIOUSNESS - COMBINATION OF ELEMENTS**

7 A patent claim composed of several elements is not proved  
8 obvious merely by demonstrating that each of its elements was  
9 independently present in the prior art. In evaluating whether  
10 such a claim would have been obvious, you may consider whether  
11 Adobe has identified a reason that would have prompted a person of  
12 ordinary skill in the field to combine the elements or concepts  
13 from the prior art in the same way as in the claimed invention.  
14 There is no single way to define the line between true  
15 inventiveness on the one hand (which is patentable) and the  
16 application of common sense and ordinary skill to solve a problem  
17 on the other hand (which is not patentable). However, you must be  
18 careful not to determine obviousness using the benefit of  
19 hindsight; many true inventions might seem obvious after the fact.  
20 You should put yourself in the position of a person of ordinary  
21 skill in the field at the time the claimed invention was made when  
22 considering whether the invention would have been obvious.

23 **DAMAGES - BURDEN OF PROOF**

24 I will instruct you about the measure of damages. By  
25 instructing you on damages, I am not suggesting which party should  
26 win on any issue. If you find that Adobe infringed any valid and  
27 asserted claim of Digital Reg's patents, you must then determine  
28

1 the amount of money damages to be awarded to Digital Reg to  
2 compensate it for the infringement.

3 The amount of those damages must be adequate to compensate  
4 Digital Reg for the infringement. A damages award should put the  
5 patent holder in approximately the financial position it would  
6 have been in had the infringement not occurred, but in no event  
7 may the damages award be less than a reasonable royalty. You  
8 should keep in mind that the damages you award are meant to  
9 compensate the patent holder and not to punish an infringer.  
10 Digital Reg has the burden to persuade you of the amount of its  
11 damages. You should award only those damages that Digital Reg  
12 more likely than not suffered. While Digital Reg is not required  
13 to prove its damages with mathematical precision, it must prove  
14 them with reasonable certainty. Digital Reg is not entitled to  
15 damages that are remote or speculative.

16 **DAMAGES - REASONABLE ROYALTY - DEFINITION**

17 In this case, Digital Reg seeks to recover a reasonable  
18 royalty based on Adobe's alleged infringement of the asserted  
19 claims. Digital Reg should be awarded at least a reasonable  
20 royalty considering the use of Adobe's products to practice the  
21 asserted claims.

22 A royalty is a payment made to a patent holder in exchange  
23 for the right to use the claimed invention. This right is called a  
24 "license." A reasonable royalty is the payment for the license  
25 that would have resulted from a hypothetical negotiation between  
26 the patent holder and the infringer taking place at the time when  
27 the infringing activity first began. In considering the nature of  
28 this negotiation, you must assume that the patent holder and the

1 infringer would have acted reasonably and would have entered into  
2 a license agreement. You must also assume that both parties  
3 believed the patent was valid and infringed. Your role is to  
4 determine what the result of that negotiation would have been.  
5 The test for damages is what royalty would have resulted from the  
6 hypothetical negotiation and not simply what either party would  
7 have preferred.

8 A royalty can be calculated in several different ways and it  
9 is for you to determine which way is the most appropriate based on  
10 the evidence you have heard. One way to calculate a royalty  
11 is to determine what is called an "ongoing royalty." To calculate  
12 an ongoing royalty, you must first determine the "base," that is,  
13 the use on which Adobe is to pay. You then need to multiply the  
14 revenue Adobe obtained from that base by the "rate" or percentage  
15 that you find would have resulted from the hypothetical  
16 negotiation.

17 For example, if the patent covers a nail, and the nail sells  
18 for \$1, and the licensee sold 200 nails, the revenue base would be  
19 \$200. If the rate you find would have resulted from the  
20 hypothetical negotiation is 1%, then the royalty would be \$2, or  
21 the rate of .01 times the base revenue of \$200. By contrast, if  
22 you find the rate to be 5%, the royalty would be \$10, or the  
23 rate of 0.05 times the base revenue of \$200. These numbers are  
24 only examples and are not intended to suggest the appropriate  
25 royalty rate.

26 If the patent covers only part of the product that the  
27 infringer sells, then the base would normally be only that feature  
28 or component. For example, if you find that for a \$1000 car, the

1 patented feature is the tires which sell for \$50, the base revenue  
2 would be \$50. However, in a circumstance in which the patented  
3 feature is the reason customers buy the whole product, the base  
4 revenue could be the value of the whole product. Even if the  
5 patented feature is not the reason for customer demand, the value  
6 of the whole product could be used if, for example, the value of  
7 the patented feature could not be separated out from the value of  
8 the whole product. In such a case, however, the rate resulting  
9 from the hypothetical negotiation would be a lower rate because it  
10 is being applied to the value of the whole product and the  
11 patented feature is not the reason for the customer's purchase of  
12 the whole product.

13 Another way to calculate a royalty is to determine a one-time  
14 lump sum payment that the infringer would have paid at the time of  
15 the hypothetical negotiation for a license covering all uses.  
16 This differs from payment of an ongoing royalty because, with an  
17 ongoing royalty, the licensee pays based on the revenue of actual  
18 licensed use. When a one-time lump sum is paid, the infringer  
19 pays a single price for a license covering both past and future  
20 infringing use.

21 In determining a reasonable royalty, you may consider, but  
22 are not limited to, the following factors:

23 (1) the royalties received by Digital Reg for the licensing  
24 of the patent-in-suit, proving or tending to prove an established  
25 royalty;

26 (2) the rates paid by Adobe for the use of other patents  
27 comparable to the patents-in-suit;  
28

1 (3) the nature and scope of the license, as exclusive or  
2 nonexclusive, or as restricted or nonrestricted in terms of  
3 territory or with respect to whom the manufactured product may be  
4 sold;

5 (4) Digital Reg's established policy and marketing program to  
6 maintain its patent monopoly by not licensing others to use the  
7 invention or by granting licenses under special conditions  
8 designed to preserve that monopoly;

9 (5) the commercial relationship between Digital Reg and  
10 Adobe, such as whether they are competitors in the same territory  
11 in the same line of business, or whether they are inventor and  
12 promoter;

13 (6) the effect of selling the patented specialty in promoting  
14 sales of other products of Adobe, the existing value of the  
15 invention to Digital Reg as a generator of sales of its  
16 nonpatented items, and the extent of such derivative or convoyed  
17 sales;

18 (7) the duration of the patent and the term of the license;

19 (8) the established profitability of the product made under  
20 the patents, its commercial success, and its current popularity;

21 (9) the utility and advantages of the patented property over  
22 the old modes or devices, if any, that had been used for working  
23 out similar results;

24 (10) the nature of the patented invention, the character of  
25 the commercial embodiment of it as owned and produced by Digital  
26 Reg, and the benefits to those who have used the invention;

27 (11) the extent to which Adobe has made use of the invention  
28 and any evidence probative of the value of that use;

1 (12) the portion of the profit or of the selling price that  
2 may be customary in the particular business or in comparable  
3 business to allow for the use of the invention or analogous  
4 inventions;

5 (13) the portion of the realizable profits that should be  
6 credited to the invention as distinguished from nonpatented  
7 elements, the manufacturing process, business risks, or  
8 significant features or improvements added by the infringer;

9 (14) the opinion and testimony of qualified experts;

10 (15) the amount that Digital Reg and Adobe would have agreed  
11 upon (at the time the infringement began) if both had been  
12 reasonably and voluntarily trying to reach an agreement; that is,  
13 the amount which a prudent licensee -- who desired, as a business  
14 proposition, to obtain a license to manufacture and sell a  
15 particular article embodying the patented invention -- would have  
16 been willing to pay as a royalty and yet be able to make a  
17 reasonable profit and which amount would have been acceptable by a  
18 prudent patentee who was willing to grant a license.

19 You can consider events and circumstances that occurred  
20 before and after the time of the hypothetical negotiation between  
21 Digital Reg and Adobe to determine a reasonable royalty.  
22 It is up to you, based on the evidence, to decide what type of  
23 royalty is appropriate in this case.

**CALCULATING DAMAGES IN CASE OF  
INDUCEMENT OR CONTRIBUTORY INFRINGEMENT**

If you find that Adobe induced or contributed to infringement, rather than directly infringed, then you must make a number of additional findings before damages may be awarded.

In order to recover damages for induced infringement, Digital Reg must either prove that the methods practiced by Adobe's accused products necessarily infringe at least one of Digital Reg's patents, or prove acts of direct infringement by others that were induced by Adobe. Because the amount of damages for induced infringement is limited by the number of instances of direct infringement, Digital Reg must further prove the number of direct acts of infringement of at least one of Digital Reg's patents, for example, by showing individual acts of direct infringement or by showing that a particular class of uses directly infringes.

In order to recover damages for contributory infringement, Digital Reg must either prove that the methods used by Adobe's accused products infringe at least one of Digital Reg's patents, or prove acts of direct infringement by others to which Adobe made a substantial contribution. Because the amount of damages for contributory infringement is limited by the number of instances of direct infringement, Digital Reg must further prove the number of direct acts of infringement of the '541 patent and/or '670 patent, for example, either by showing individual acts of direct infringement or by showing that a particular class of uses directly infringes.

**DUTY TO DELIBERATE**



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1 Remember that you are not to tell anyone -- including me -- how  
2 the jury stands, numerically or otherwise, until after you have  
3 reached a unanimous verdict or have been discharged. Do not  
4 disclose any vote count in any note to me.

5 **RETURN OF VERDICT**

6 A verdict form has been prepared for you. After you have  
7 reached a unanimous agreement on a verdict, your foreperson will  
8 fill in the form that has been given to you, sign and date it, and  
9 advise the Court that you are ready to return to the courtroom.

10 IT IS SO ORDERED.

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CLAUDIA WILKEN  
13 United States District Judge  
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GLOSSARY

**Abstract:** A brief summary of the technical disclosure in a patent to enable the U.S. Patent and Trademark Office and the public to determine quickly the nature and gist of the technical disclosure in the patent.

**Amendment:** A patent applicant's change to one or more claims or to the specification either in response to an office action taken by a Patent Examiner or independently by the patent applicant during the patent application examination process.

**Anticipation:** A situation in which every aspect of a claimed invention is described in an earlier invention. The claimed invention is therefore not new and is not entitled to be patented.

**Assignment:** A transfer of patent rights to another, called an "assignee," who upon transfer becomes the owner of the rights assigned.

**Claim:** Each claim of a patent is a concise, formal definition of an invention and appears at the end of the specification in a separately numbered paragraph. In concept, a patent claim marks the boundaries of the patent in the same way that a legal description in a deed specifies the boundaries of land, i.e. similar to a land owner who can prevent others from trespassing on the bounded property, the inventor can prevent others from using what is claimed. Claims may be independent or dependent. An independent claim stands alone. A dependent claim does not stand

1 alone and refers to one or more other claims. A dependent claim  
2 incorporates whatever the other referenced claim or claims say.  
3 If an independent claim is not infringed, any dependent claims are  
4 not infringed, either.

5  
6 **Conception:** The complete mental part of the inventive act which  
7 must be capable of proof, as by drawings, disclosure to another,  
8 etc.

9  
10 **Continuation Application:** A patent application filed during the  
11 examination process of an earlier application which has the same  
12 disclosure as the original application and does not include  
13 anything which would constitute new matter if inserted in the  
14 original application.

15  
16 **Continuance-in-Part Application:** A patent application filed during  
17 the application process of an earlier application which repeats  
18 some or all of the earlier application and adds matter not  
19 disclosed in the earlier application.

20  
21 **Drawings:** Visual representations of the claimed invention  
22 contained in a patent application and issued patent, which usually  
23 include several figures illustrating various aspects of the  
24 claimed invention.

25  
26 **Elements:** The required parts of a device or the required steps of  
27 a method. A device or method infringes a patent if it contains  
28 each and every requirement of a patent claim.

1  
2 **Embodiment:** A product or method that contains the claimed  
3 invention.

4  
5 **Examination:** Procedure before the U.S. Patent and Trademark Office  
6 whereby a Patent Examiner reviews the filed patent application to  
7 determine if the claimed invention is patentable.

8  
9 **Filing Date:** Date a patent application, with all the required  
10 sections, has been submitted to the U.S. Patent and Trademark  
11 Office.

12  
13 **Infringement:** Violation of a patent occurring when someone makes,  
14 uses or sells a patented invention, without permission of the  
15 patent holder, within the United States during the term of the  
16 patent. Infringement may be direct, by inducement, or  
17 contributory. Direct infringement is making, using or selling the  
18 patented invention without permission. Inducing infringement is  
19 intentionally causing another to directly infringe a patent.  
20 Contributory infringement is offering to sell or selling an item  
21 that is an important component of the invention, so that the buyer  
22 directly infringes the patent. To be a contributory infringer,  
23 one must know that the part being offered or sold is designed  
24 specifically for infringing the patented invention and is not a  
25 common component suitable for non-infringing uses.

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1 **Limitation:** A required part of an invention set forth in a patent  
2 claim. A limitation is a requirement of the invention. The word  
3 "limitation" is often used interchangeably with the word  
4 "requirement."

5  
6 **Nonobviousness:** One of the requirements for securing a patent. To  
7 be valid, the subject matter of the invention must not have been  
8 obvious to a person of ordinary skill in the field of the  
9 invention at the time of the earlier of the filing date of the  
10 patent application or the date of the invention.

11  
12 **Office Action:** A written communication from the Patent Examiner to  
13 the patent applicant in the course of the application examination  
14 process.

15  
16 **Ordinary Skill in the Art:** The level of experience, education,  
17 and/or training that those individuals who worked in the area of  
18 the invention ordinarily possessed at the time of the effective  
19 filing date of the patent application.

20  
21 **Patent:** A patent is an exclusive right granted by the U.S. Patent  
22 and Trademark Office to an inventor to prevent others from making,  
23 using, offering to sell, or selling an invention within the United  
24 States, or from importing it into the United States, during the  
25 term of the patent. When the patent expires, the right to make,  
26 use or sell the invention is dedicated to the public. In addition  
27 to the Abstract summary of the invention, the patent has three  
28 parts, which are a specification, drawings and claims. The patent

1 is granted after examination by the U.S. Patent and Trademark  
2 Office of a patent application, filed by the inventor, which has  
3 these parts, and this examination is called the prosecution  
4 history.

5  
6 **Prosecution History:** The prosecution history is the complete  
7 written record of the proceedings in the U.S. Patent and Trademark  
8 Office from the initial application to the issued patent. The  
9 prosecution history includes the office actions taken by the U.S.  
10 Patent and Trademark Office and the amendments to the patent  
11 application filed by the applicant during the examination process.

12  
13 **Reads On:** A patent claim "reads on" a device or method when each  
14 required part (requirement) of the claim is found in the device or  
15 method.

16  
17 **Requirement:** A required part or step of an invention set forth in  
18 a patent claim. The word "requirement" is often used  
19 interchangeably with the word "limitation."

20  
21 **Royalty:** A royalty is a payment made to the owner of a patent by a  
22 non-owner in exchange for rights to make, use or sell the claimed  
23 invention.

24  
25 **Specification:** The specification is a required part of a patent  
26 application and an issued patent. It is a written description of  
27 the invention and of the manner and process of making and using  
28 the claimed invention.

INTERPRETATION OF CERTAIN CLAIM TERMS OF THE '541 AND '670 PATENTS

**"Token"**: A file indicating whether the transaction has been approved and access should be granted. A token does not simply indicate that access should be granted, but also contains a yes/no indicator exhibiting either approval or rejection of the transaction.

**"An authorization procedure"**: A process which approves or rejects a payment transaction or use information to determine whether access should be granted.

**"Based on a result of the attempted transmission"**: Based on whether or not notification information was sent.

**"Selectively grants/denies access to the electronic content"**: Granting or denying access to the select parts or operations of the electronic content.

**"Recipient"**: A user that receives the electronic content.

**"Successive recipient"**: A user that receives electronic content from a previous recipient.